

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

25 JUL 1994

IN REPLY REFER TO:

7310-09/1700A

This was supposed to go to Dockets. Please send it there.

RECEIVED

JUL 28 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. W. Richard Reeves
Post Office Box 4089
Murfreesboro, Tennessee 37129

Dear Mr. Reeves:

This letter is in response to your letter to Vice President Albert Gore, Jr. dated May 17, 1994, addressing the need to ensure that new technologies such as Personal Communications Services (PCS) are readily accessible to the American people by avoiding license concentration and ensuring dissemination of licenses among a wide variety of applicants, including small businesses and businesses owned by minorities and women. You object to the requirement that bidding companies must submit an initial payment of \$350,000.00 in order to participate in the spectrum auctions, stating that this payment will preclude the participation of small businesses.

The initial payment of \$350,000.00 will not be required for all licenses subject to auctions. Applicants must submit \$350,000.00 to participate in the auctions for nationwide narrowband PCS licenses, which will take place in late July. Lower initial payments, however, will be required for services that are not nationwide in scope or that involve narrower license bandwidths. For example, we will conduct auctions later this year for narrowband PCS licenses that permit licensees to serve smaller geographic areas, some based on five regions of the country, and others based on the Rand-McNally Major Trading Areas (MTAs) and Basic Trading Areas (BTAs). The formula that we use to determine initial payments takes into account the population that will be served. Because the non-nationwide licenses will cover lesser populations, the initial payments will be smaller, and smaller businesses are more likely to find that they can afford the license payments and construction expenses.

In addition, the Commission has adopted numerous service-specific provisions to ensure the participation of small businesses and woman and minority-owned businesses. For example, at its June 29, 1994 agenda meeting, the Commission adopted service-specific rules for broadband PCS, including a "Competitive Opportunity Plan" establishing two "entrepreneurs' blocks" for small businesses. These blocks together consist of 986 licenses, for authorization within BTAs. Eligibility for these blocks will be limited in order to safeguard the ability of small entities (including businesses owned by minorities and

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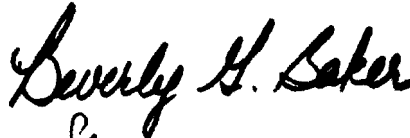
Mr. W. Richard Reeves

2.

women) to participate in the auctions without competition from large companies. Within the entrepreneurial blocks, the Commission established a range of provisions to address the most challenging barrier to entry by these entities -- that is, access to capital. These provisions include bidding credits, installment payment plans, tax certificates and relaxed ownership attribution standards for small businesses and businesses owned by minorities and women.

The Commission has sought to implement the Congressional intent of Section 309(j) of the Communications Act, passed by Congress in August 1993, to provide opportunities for participation to individuals and entities that are historically precluded from providing telecommunications services. It has sought to ensure that competition and participation by all segments of society will become the enduring standard for the future. If you would like any additional information, feel free to call Julia Kogan of my staff at (202) 632-7125.

Sincerely,



Ba Ralph A. Haller
Chief, PCS Task Force &
Chief, Private Radio Bureau

cc:
Rules Branch (Chron) File
Chief, PCS Force
OLAffairs, Room 857
Dockets, Room 222
LM&M Division
File Copy (Originator)

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Congressional

DUE OBC: 7/5/94

PLEASE MAKE 2 EXTRA COPIES OF INCOMING, ATTACHMENTS,
AND REPLY FOR DOCKET FILE, ROOM 222.

CONGRESSIONAL CORRESPONDENCE TRACKING SYSTEM 06/21/94

LETTER REPORT

CONTROL NO.	DATE RECEIVED	DATE OF CORRESP	DATE DUE	DATE DUE OLA(857)
9402830	06/21/94	06/16/94	07/12/94	

TITLE	MEMBERS NAME	REPLY FOR SIG OF
Vice-President	Albert Gore Jr	BC

CONSTITUENT'S NAME	SUBJECT
several constituents	re: New Personal Communications Services

REF TO	REF TO	REF TO	REF TO
CCB	MAGL	PRB/LMD 6/27	Rules/KOGAN
DATE	DATE	DATE	DATE
06/21/94	6/21/94	6/27	6/27/94

REMARKS: Please reply directly to constituents



OFFICE OF THE VICE PRESIDENT
WASHINGTON

CCB
90-314

2830

MEMORANDUM

DATE: June 16, 1994

TO: Managing Director
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Enclosed are letters from constituents asking for assistance with matters related to the Federal Communications Commission. This information was sent to the office of Vice President Gore.

On behalf of the Vice President, I am forwarding this material with the request that the issues be addressed in an appropriate and expeditious manner. An acknowledgement of receipt and a notification of this referral has been sent to each of the constituents.

Please respond directly to the correspondents. No reply to this office is necessary.

Thank you in advance for your attention to these matters.

Sincerely,

Bill Mason
Director of Correspondence
for the Vice President

BM/wem

FCC

W. RICHARD REEVES

P.O. Box 4089
Murfreesboro, Tennessee 37129

Vice President Albert Gore, Jr.
The White House.
Washington, D.C. 20500

May 17, 1994

Dear Vice President Gore,

I am writing to inform you of my involvement in a telecommunications business venture. My partners in this venture are Mr. Frank Banks and Mr. George Dobbins, both of Memphis. This company is a fully owned minority entity doing business as Southern Communications Systems.

Our primary focus is that of obtaining a Personal Communications Service (PCS) license from the Federal Communications Commission to provide voice and data services.

It was stipulated in the legislation passed by Congress that minority firms were to be given preferential treatment in order to be able to obtain PCS licenses. The FCC, to this point, has not been promulgating procedures which would enable minority firms to participate in an economically feasible way.

Because of your interest and involvement the information superhighway, we have addressed this issue in a position paper which we feel would enable minority firms to be able to compete on a level field with established telecommunication giants. This position paper was created after considerable consultation with various telecommunications groups.

Mr. Vice President, a minority firm simply does not have the hundreds of millions or even tens of millions of dollars which is needed to fund a PCS license. It must be able to use existing infrastructure in order for it to be financially feasible.

We have been led to believe that the FCC is leaning in favor of procedures and rules which would not make it financially feasible for a minority entity to obtain and operate a PCS license even though this was stipulated in the legislation passed by Congress.

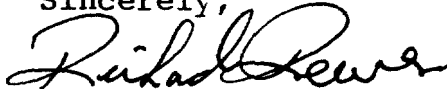
If you would use your influence to advocate our positions, as stated by our position paper, we would be extremely grateful.

Page 2
May 17, 1994

We are available to meet with you and your staff, or anyone that you deem appropriate, to further discuss this very important matter.

I look forward to seeing you on May 20 at the Governors Residence in Nashville.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard Reeves".

Richard Reeves

George Dobbins

This is a position paper of Southern Communications, Inc. in regards to Personal Communication System (PCS), and specifically, George Dobbins with the minority participation.

This position paper suggests a logical approach to allow for minority and women-owned business participation in the PCS. The major problem these businesses face is lack of deep pockets in a capital-intensive business.

The main capital requirement is building the cell sites and switches required for PCS. New applicants into PCS will have to build from scratch. The existing cellular companies, however, already have the network in place. The cost to ADD ON to this network and provide ADDITIONAL capability at the new PCS frequencies is only 10-20% of the cost of building it from scratch.

A logical combination is to pair up a minority owned PCS licensee with the infrastructure of an existing cellular carrier. There is precedence for this. In the early days of cellular, the FCC required the RBOC cellular carriers to provide access to cell sites and radios to the independent "A" licensee, i.e. to be able to "resell" cellular services using the "B" licensees' infrastructure (FCC Docket 79-318)

If the FCC does not designate a set-aside spectrum for minority or women owned firms, then these firms should be given preferential treatment. A manner in which to do this would be for any consortia that has minority participation to be allowed access to existing cellular infrastructure. Any consortia that does not have minority participation would not be allowed access to the cellular infrastructure.

We think a reasonable approach is to divide the PCS spectrum into 6 20-MHz blocks. In each market, one block would be reserved for minority and women owned businesses. A second block would be open to an existing cellular company. The two cellular companies could bid against each other and against third parties. The auction winner would provide PCS services directly. The other cellular company would be required to allow the minority/women owned licensee to resell PCS services using the infrastructure and network of the cellular company. Since PCS territories are different from cellular territories.

The extra cost of "upbanding" the existing cellular network to PCS could be borne directly by the minority/women owned licensee or could be funded by the cellular company and recovered through the call minute revenue sharing between the minority PCS licensee. Major cellular infrastructure providers have already announced "upbanding" products to add PCS onto cellular infrastructure.

page 2

We should not restrict the minority owned business from entering into joint ventures with only cellular companies. The minority firms should be allowed to joint venture with any company.

The auctions for the set-aside spectrum for the minority/women owned business should be held after the auctions for the other bands.

The proposal is "win-win" for all sides:

Both sets of cellular infrastructure are put to good public use.

Competition is stimulated between both cellular companies in territory because only one can operate PCS directly, and the government's receipts from the auction will be maximized.

The "losing" cellular company still wins because its upbanded infrastructure earns additional PCS call minute revenues from the minority licensee. If neither cellular company bids or wins the auction, then there is competition between the two to get the call minute business of the minority/women owned PCS licensee.

The minority/women owned PCS licensee can concentrate on marketing and services, without needing the massive capital investment in infrastructure which has already been made by its cellular "partner".

We also think that the minority licensee should be allowed to bid a percentage of revenue for the spectrum for a period of years, rather than a fixed dollar amount. Plus a percentage of the bid for the license could be required in the form of a down payment. This would eliminate non-serious and the illegitimate bidders.

Sincerely,
George Dobbins